

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 SS-15 H-01 NSC-05 AID-05 CEA-01

CIAE-00 COME-00 EB-07 FRB-03 INR-07 IO-10 NEA-09

NSAE-00 OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01

OMB-01 STR-01 SAM-01 CAB-02 DODE-00 DOTE-00 FAA-00

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R 251214Z FEB 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8353

INFO ALL EC CAPITALS 389

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 1578

PASS TREASURY FOR PELIKAN AND EXIMPORT FOR GIANTURCO

E.O. 11652: NA

TAGS: EFIN, EEC, XM

SUBJECT: EXPORT CREDIT GENTELMEN'S AGREEMENT -- EC GIVES
ITS REACTION TO US PROPOSAL

REFS: A. STATE 036621

B. EC BRUSSELS 00983

C. EC BRUSSELS 1530

1. SUMMARY: THE EC COMMISSION REPORTED TO US THE RESULTS
OF THE EC EXPORT CREDIT WORKING GROUP MEETING OF FEBRUARY
15-16. THE WORKING GROUP REVIEWED THE PROPOSED US TEXT
OF THE GENTLEMEN'S AGREEMENT (REF A) AND BELIEVES THERE IS
A GOOD POSSIBILITY THAT THE US, EC AND JAPAN CAN REACH
AGREEMENT. THERE ARE STILL SEVEN MAJOR DIFFERENCES
BETWEEN EC AND US DRAFTS (SEE REFS A AND B), BUT COMMISSION
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OFFICIALS BELIEVE PARTICIPANTS NOW WANT AN AGREEMENT, AND

WITH SOME "HORESE TRADING" THESE DIFFERENCES CAN BE WORKED OUT.
THE JAPANESE OPPOSITION TO INCLUDING A MINIMUM AVERAGE
REAL
INTEREST RATE COST AND ITD DESIRE TO HAVE AN
EXCEPTION FOR LARGE PROJECTS CREATE ADDITIONAL
PROBLEMS. NEVERTHELESS, FOLLOWING THE TECHNICAL
MEETING, THE EC WANTS TO GO AHEAD WITH A MEETING OF
PRINCIPALS IN LATE MARCH OR EARLY APRIL AT WHICH
TIME THE REMAINING ISSUES CAN HOPEFULLY BE RESOLVED.
END SUMMARY.

2. MRS. ARCHIBALD OF THE EC COMMISSION BRIEFED
US ON THE RESULTS OF THE EXPORT CREDIT MEETING
HERE. THE EC WOULD LIKE TO PURSUE NEGOTIATIONS
AS QUICKLY AS POSSIBLE. MRS. ARCHIBALD SAYS THE
EC EXPECTS TO CLEAR UP THE REMAINING MINOR
DIFFERENCES AT THE TECHNICAL LEVEL MEETING AND IS
PREPARED TO HAVE A MEETING OF PRINCIPALS IN THE
LAST WEEK OF MARCH OR THE FIRST WEEK OF APRIL. AS
INDICATED PREVIOUSLY BY THE JAPANESE MISSION HERE
(SEE REF C), MRS. ARCHIBALD NOW REPORTS THE JA-
PANENE
INFORMALLY TELL HER THAT THE DATES OF MARCH 12-13

ARE ACCEPTABLE FOR THE TECHNICAL LEVEL MEETING;
SHE EXPECTS OFFICIAL GOJ NOTIFICATION ON THIS WITHIN
SEVERAL DAYS.

3. MRS. ARCHIBALD LISTED SEVEN MAJOR EC-US DIFFERENCES
OVER THE DRAFT AGREEMENT. WHILE THE EXPERTS MIGHT TAKE
THESE UP, SHE BELIEVES THE FOLLOWING DIFFERENCES WILL
PROBABLY HAVE TO BE RESOLVED AT THE PRINCIPALS' LEVEL:

A. MINIMUM INTEREST RATES: THE MEMBER STATES CANNOT
AGREE ON WHETHER THE MINIMUM RATE SHOULD BE 7.5 OR 8
PERCENT. INVIEW OF THE CURRENT DECLINE IN INTEREST
RATES, THE EC IS STUDYING THE US PROPOS
L THAT 10
PERCENT SHOULD BE CONSIDERED THE MARKET RATE. MRS.
ARCHIBALD ADDS THAT ALL PARTIES WILL HAVE TO COME
TO AN UNDERSTANDING ON HOW TO DETERMINE THE "MARKET
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RATE".

B. EXCEPTIONS FOR LARGE PROJECTS: (SEE PAR VI OF
REF A) THE EC FINDS THE US PROPOSAL FOR PROJECTS
REQUIRING LONGER REPAYMENT TERMS UNACCEPTABLE BECAUSE
IT IS ENTIRELY OPEN ENDED WITH NO LIMITS ON THE
SIZE OF PROJECT, THE MATURITY PERIOD OR TYPE OF
RECIPIENTS. THE EC IS THINKING OF REQUIRING
THAT THE TOTAL VALUE OF IMPORTS FOR SUCH ALRGE

PROJECTS SHOULD EXCEED 80 TO 90 MILLION UNITS OF
ACCOUNT (\$96.5 -109 MILLION) IN ORDER TO QUALIFY
FOR AN EXCEPTION.

C. SECTORAL AGREEMENTS: THE EC WOULD LIKE TO INCLUDE
SHIPS UNDER SECTORAL AGREEMENTS. SINCE THE US
REPORTEDLY DOES NOT EXPORT ANY SUBSTANTIAL AMOUNT OF
SHIPS, THE EC DOES NOT SEE HOW IT WOULD HARM US
INTERESTS FOR THE IS TO AGREE TO ACCEPT THE TERMS
OF THE OECD SECTORAL AGREEMENT ON SHIPPING. MRS.
ARCHIBALD SUGGESTED PERHAPS A DEAL COULD BE WORKED
OUT BY WHICH THE EC WOULD AGREE TO THE US PROPOSAL
REGARDING AIRCRAFT IF IN TURN WE WOULD
ACCEPT THE
EC TERMS ON SHIPS.

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LIMITED OFFICIAL USE SECTION 2 OF 2 EC BRUSSELS 1578

PASS TREASURY FOR PELIKAN AND EXIMPORT FOR GIAN TURCO

D. OFFICIAL ASSISTANCE: THE FRENCH REMAIN ADAMENT
IN REFUSING TO MODIFY THEIR POLICY REGARDING MIXED

CREDITS. THE OTHER MEMBER STATES, EXCEPT ITALY,
ARE WILLING TO ACCEPT THE US PROPOSAL THAT OFFICIAL
ASSISTANCE SHOULD CONTAIN A GRANT ELEMENT OF AT LEAST
25 PERCENT AS DEFINED BY THE DAC. THE ITALIANS
HAVE PROPOSED THE FOLLOWING LANGUAGE
AS AN EXCEPTION
FOR THEIR MIXED CREDITS: QUOTE THIS PROVISION IS
BINDING FOR THE COUNTRIES HAVING ADOPTED THE
RECOMMENDATION OF THE DAC ON TERMS AND CONDITIONS
OF AID, AS DEFINED BY DOC. DAC(72)53. ITALY,
WHICH RESERVED ITS POSITION ON THAT RECOMMENDATION,
UNDERTAKES TO PURSUE THE PROBLEM IN THE APPROPRIATE
NATIONAL FORUMS. END QUOTE.
MRS. ARCHIBALD CONSIDERS THE GOI STATEMENT TO BE A
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STEP FORWARD BECAUSE, AFTER YEARS OF WRANGLING
WITHIN THE EC, THE GOI HAS FINALLY SET UP AN
INTER-AGENCY COMMITTEE TO LOOK INTO ITS MIXED
CREDITS POLICY. SHE CONSIDERS THIS TO BE A NON-

ISSUE BECAUSE OF GOI CANNOT AFFORD TO GIVE ANY
SUBSTANTIAL AID AT THIS TIME. MRS. ARCHIBALD
BELIEVES AN EXCEPTION SHOULD BE WORKED OUT FOR
THE GOI SO AS TO BRING THE FULL WEIGHT OF THE
OTHER PARTICIPANTS AGAINST THE FRENCH POSITION.
THE FRENCH SO FAR HAVE BEEN SHIELDED BEHIND THE
GOI'S MIXED CREDIT POLICY.

E. "PUBLIC MEASURES": THE EC BELIEVES THE US
DEFINITION OF "PUBLIC MEASURES" (PARA I, 3, REF.
A) IS UNNECESSARILY BROAD. THE COMMUNITY PREFERS
THE DEFINITION PROVIDED IN REF B.

F. MAXIMUM LENGTHS OF CREDIT: THE 8.5 YEAR
LIMIT ON OFFICIAL CREDITS AND "PURE COVER" IS
NOT ACCEPTABLE
FOR WEALTHY COUNTRIES. THE EC
PREFERS A FIVE-YEAR LIMIT.

G. DOWN-PAYMENTS: THE EC PREFERS A LIMIT ON DOWN
PAYMENTS OF 20 PERCENT RATHER THAN 15 PERCENT. GREENWALD

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